TransUnion

2024 Property Insurance Report National Conference

The Path Forward: A Roadmap for the Housing Market's New Normal

Michelle Jackson

Vice President, Insurance Market Development

Stothard Deal

Vice President, U.S. Insurance Strategic Planning

What we'll discuss today…

- The U.S. housing market continues to face availability and affordability challenges

- Consumers are moving less frequently; migration is trending towards more affordable (but CAT-prone) markets

- Household composition remains dynamic over time and across generations

- Property insurance shopping is increasing, but the catalyst has shifted - rising insurance costs/tightening market vs. home purchases and refinances

National Association of Realtors' (NAR): The median first-time homebuyer has reached an all-time high age of 38 years old, three years older than in July 2023. In the late 1980s, the typical first-time buyer was in their late 20s.

– CNBC[1] , November 5, 2024

43% of Gen Zers and millennials say they're unlikely to purchase a home soon due to affordability.

– Redfin[2], March 27, 2024

As of 2024, 44M households rent, with long-term renters making up 25% more of the population compared to 10 years ago

– Harvard Joint Center for Housing Studies[4], 2024

Total housing starts for 2023 were 1.41 million, a 9% decline from the 1.55 million total from 2022.

– National Association of Homebuilders[5], January 18, 2024

The U.S. housing stock is not keeping pace with population growth

	2024	2000 – 2024 CAGR
U.S. population	**337M**	**+0.7%**
New housing units	**1.4M**	**-0.7%**

Source: Federal Reserve Bank of St. Louis: FRED Economic Data

Historic Low Vacancy Rates

Home and Rental vacancy rates are lowest they've been in nearly **40 years**

*Source: Federal Reserve Bank of St. Louis: FRED Economic Data*   5

It's taken 15 years for housing completions to reach pre-2008 financial crisis levels

Housing completions by year

■ Multi family completions ■ Single family completions

Source: Federal Reserve Bank of St. Louis: FRED Economic Data; U.S. Census Bureau
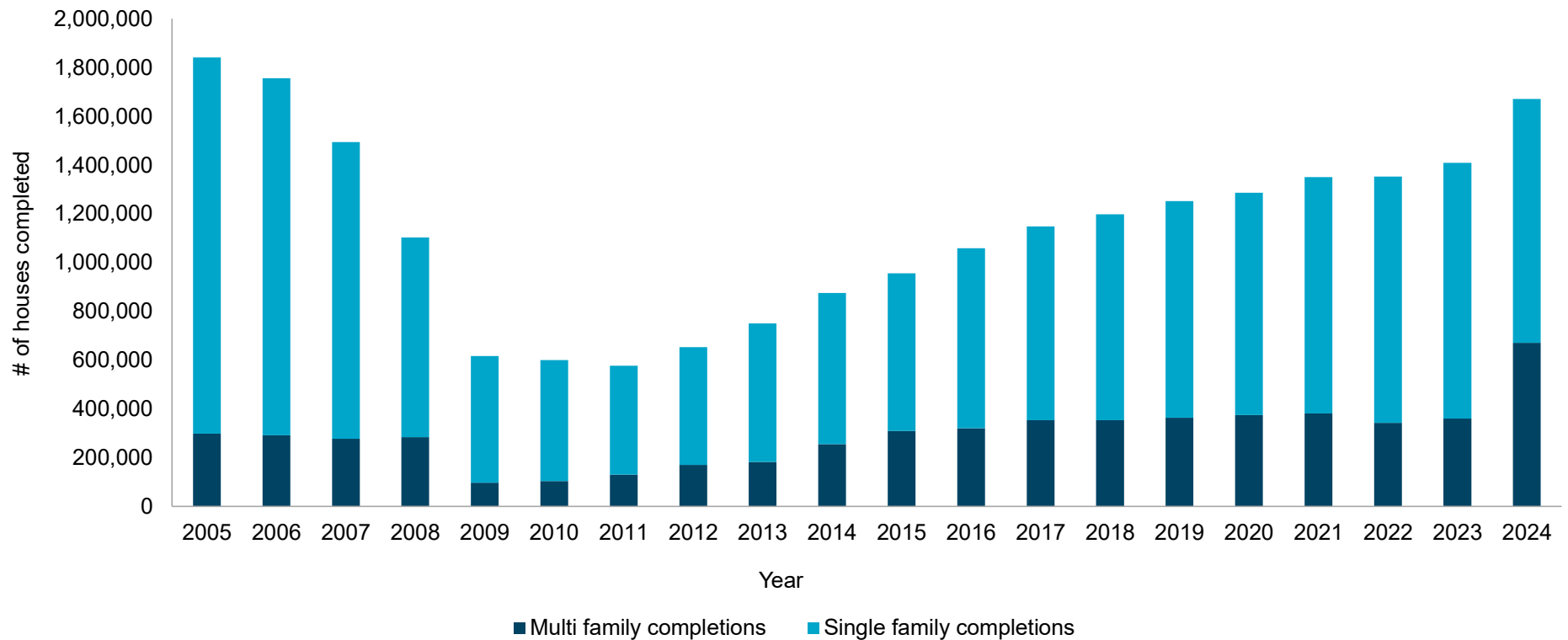
While multi-family construction is increasing, completion varies over time as interest rates fluctuate

Multi-family construction starts versus completions

Source: Federal Reserve Bank of St. Louis: FRED Economic Data; U.S. Census Bureau
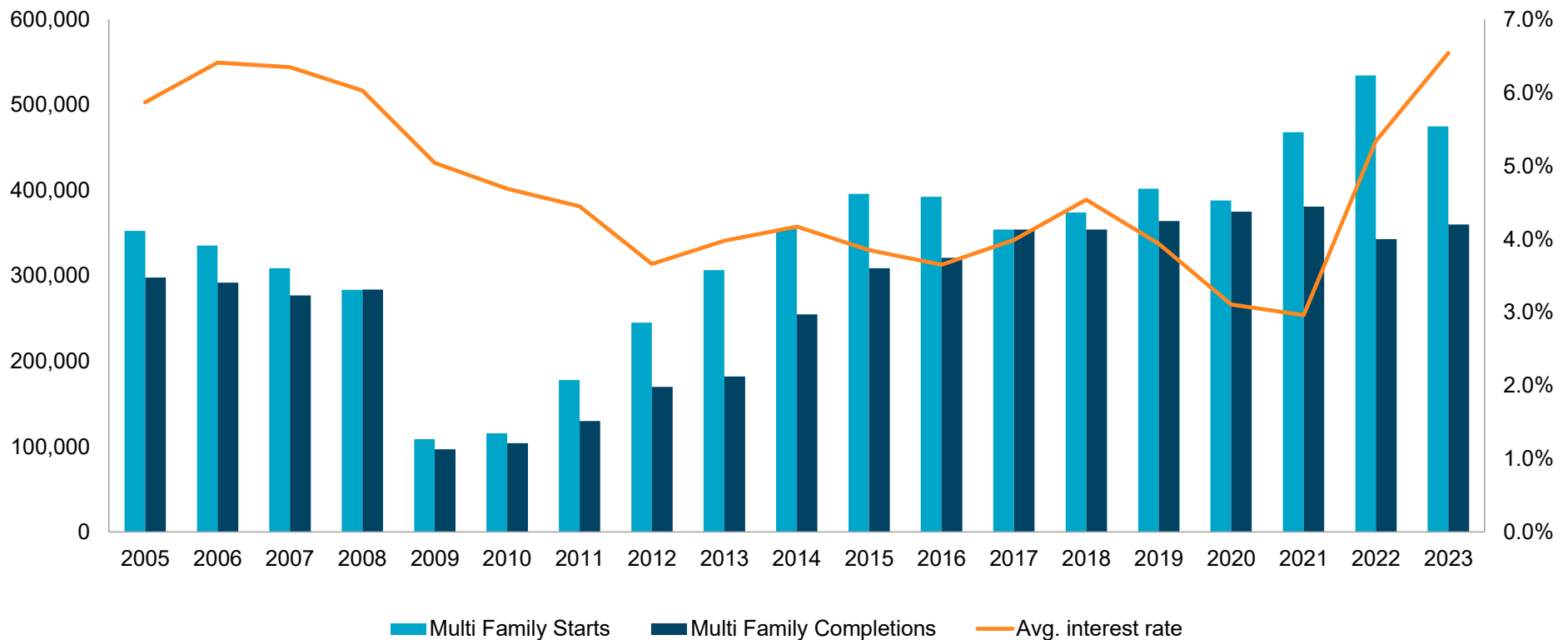
However, the inventory of available homes for sale is near a 20-year low

Approx. inventory of available homes for sale

■ Approx. inventory of available homes for sale

*2024 is an estimation
Source: National Association of Realtors (NAR)
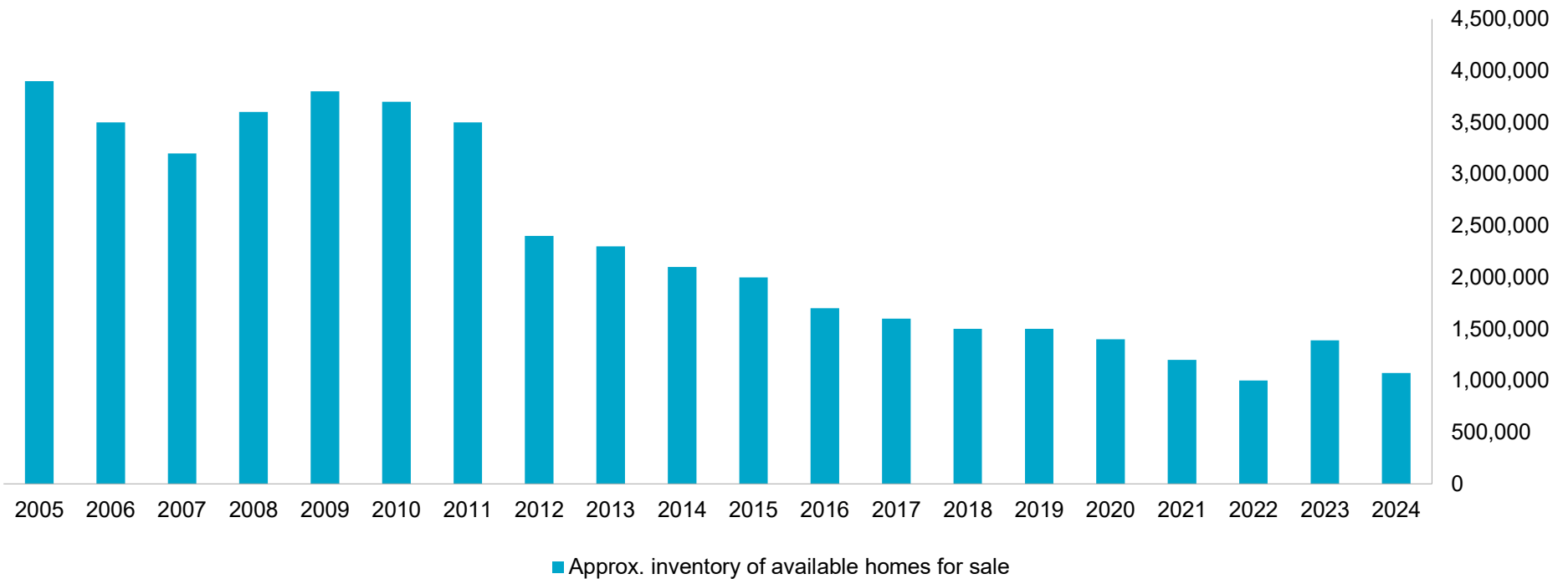
Record high home prices benefit property owners, but are a barrier to potential first-time property owners

47%

Cumulative percent increase in home price index since January 2020[1]

$20.5T

Total tappable home equity of U.S. homeowners[2] (equivalent to 2nd largest country in the world in terms of GDP[3])

$260K

Median amount of tappable home equity for 85M consumers[2]

Source: 1. S&P CoreLogic Case-Shiller U.S. National Home Price Index; 2. TransUnion US consumer credit database; 3. IMF. 2024. World Economic Outlook, October 2024. Washington, DC: International Monetary Fund

Higher interest rates incentivize staying put, and are another barrier to potential first-time property owners

6.5%

30-year fixed rate mortgage average interest rate (October 2024)[1]

56%

Percent of open mortgages have an interest rate below 4% (March 2024)[2]

What does this mean for existing renters and potential first-time property owners?

Higher multi-family development could help stabilize/lower rent expenditure

Increased, and longer duration, renters present opportunities for new coverage offerings (think Cyber) and embedded offerings

Consumer migration (a.k.a. "moves") have influenced these trends and changed insurer risk exposure

We sought to learn how generation, homeownership, and other factors impact consumer migration

- Compared addresses for movers and non-movers on consumers' credit file at the beginning and end of the 12 months ending in June 2024

- Analyzed households by various data points including birth year (generation) and presence of a mortgage

- Obtained identical prior year (June 2023), pre-COVID (June 2019), and one generation prior (June 2010) data
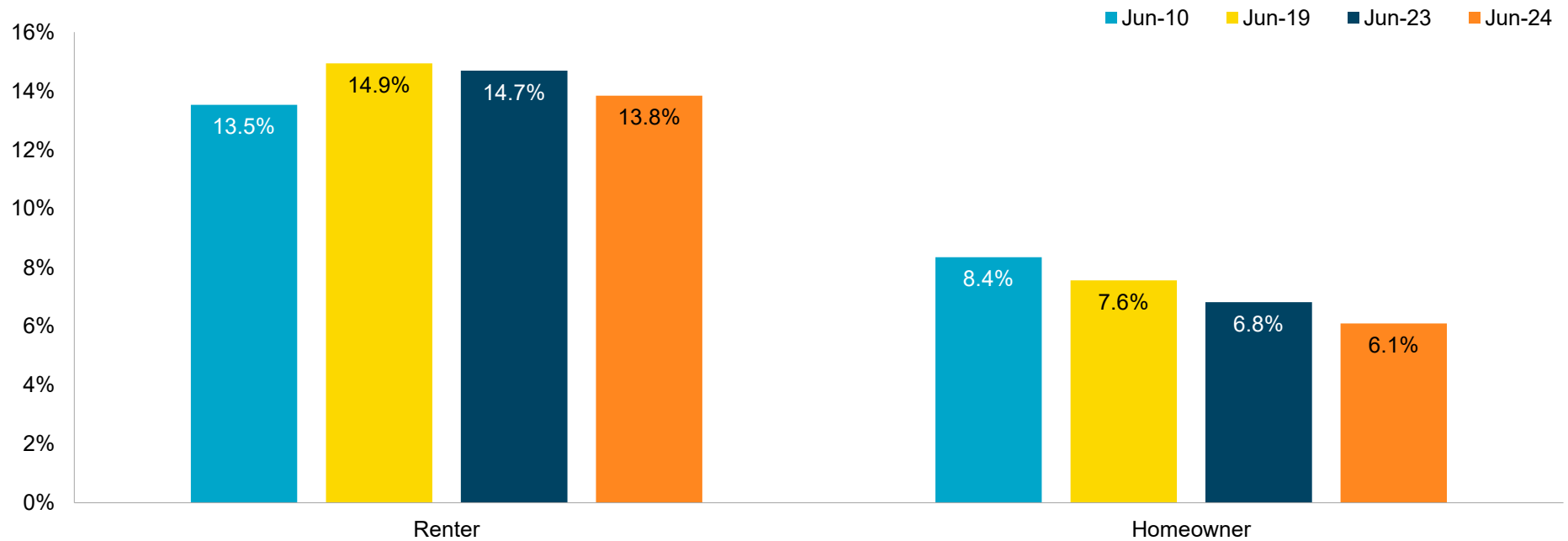
Overall consumer migration has decreased 13% since 2019, with Boomer/Silent, Gen X, and Millennials all down more than 20%

U.S. total migration for credit active population

Legend: Number of Movers | YoY % Change

2024 is as of Q2
Source: TransUnion internal analysis
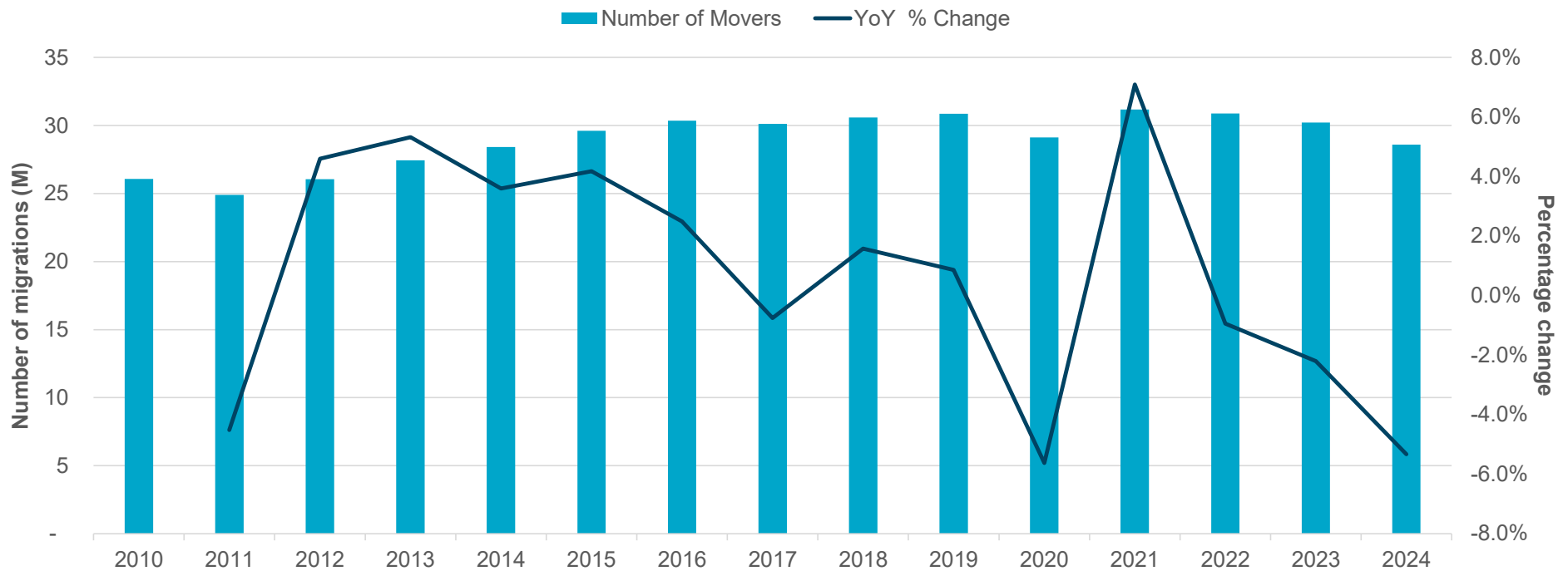
Migration rates have dropped for both renters and homeowners post-COVID as the result of housing availability and affordability

Annual consumer migration rates
By Occupancy Type

■ Jun-10 ■ Jun-19 ■ Jun-23 ■ Jun-24

	Renter				Homeowner		
Jun-10	13.5%				8.4%		
Jun-19		14.9%				7.6%	
Jun-23			14.7%				6.8%
Jun-24				13.8%			6.1%

Source: TransUnion internal analysis

Recent migration patterns have been localized; Half of moves are 10 miles or less, with 1 in 7 exceeding 350

Consumer Migration Trends
Distribution of Moves by Distance, 2022-2024

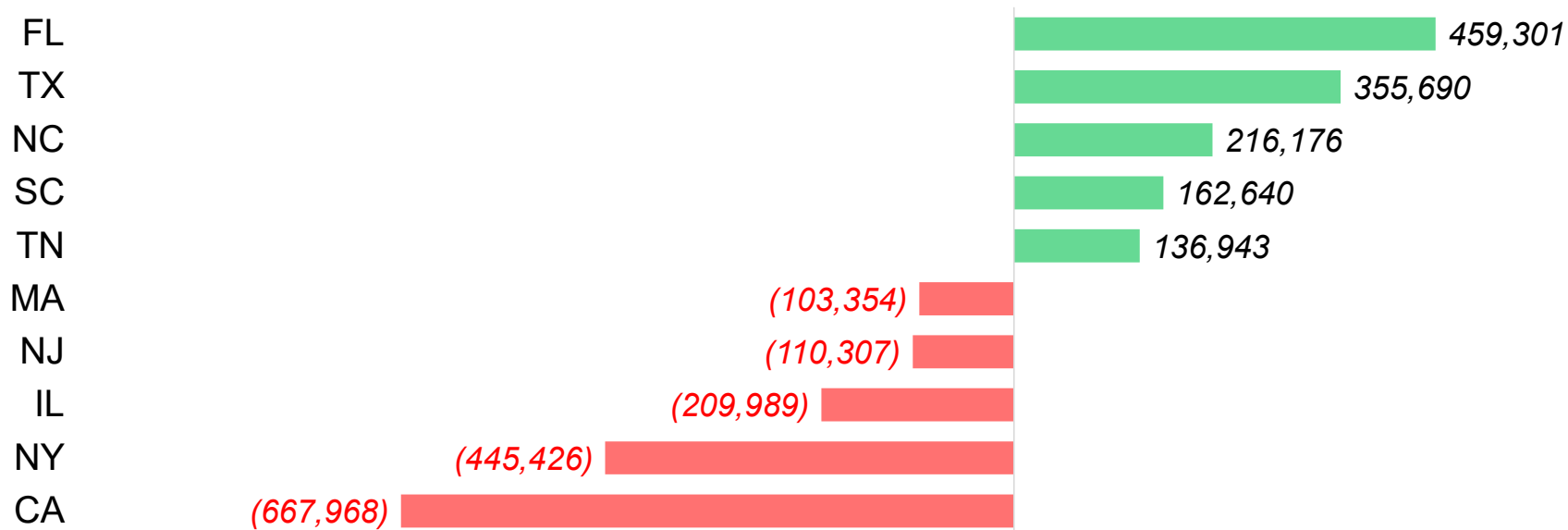■ Same Zip Code　■ 1-10 Miles　■ 11-40 Miles　■ 40-350 Miles　■ 350+ Miles

Mean Distance: 191
Median Distance: 10

- 25.4%
- 26.3%
- 21.0%
- 12.2%
- 15.1%

Source: TransUnion internal analysis
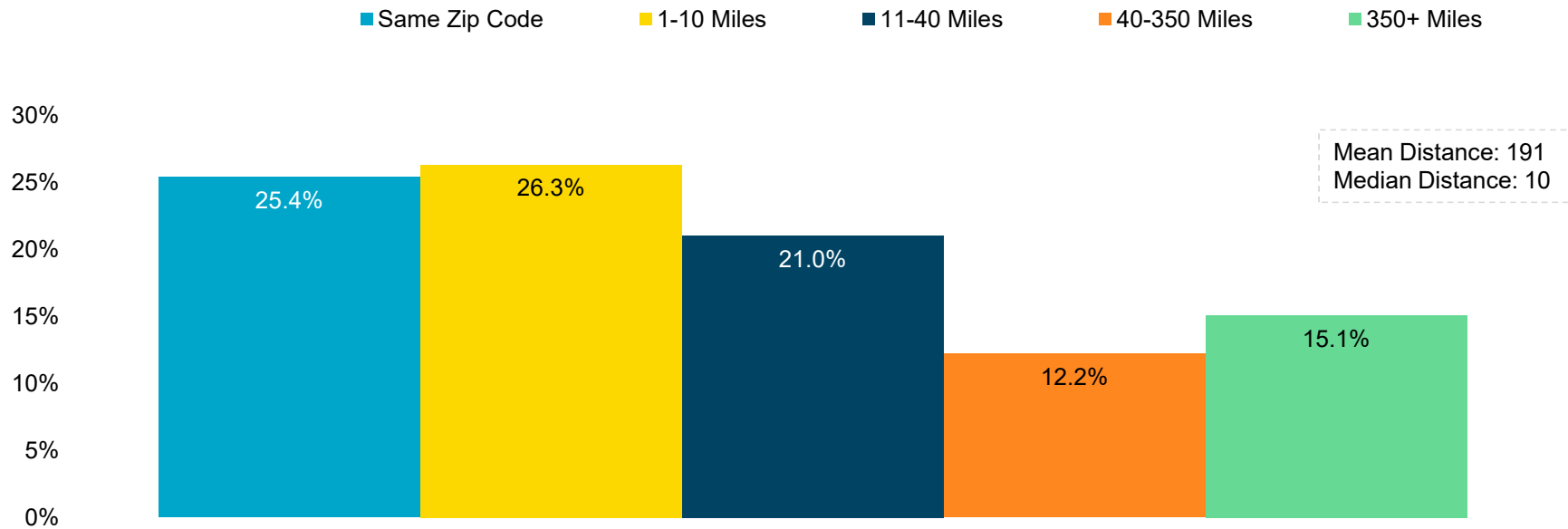
Sunbelt and coastal states dominate consumer inbound migration – exacerbating catastrophe exposure

State	Net Migration
FL	459,301
TX	355,690
NC	216,176
SC	162,640
TN	136,943
MA	(103,354)
NJ	(110,307)
IL	(209,989)
NY	(445,426)
CA	(667,968)

Source: TransUnion internal analysis

Large, primarily suburban cities lead in inbound migration, while expensive and/or CAT-prone cities contribute to negative migration

Top inbound and outbound migration markets – All generations (6/2024)

Queens, NY

Oakland, CA

Phoenix, AZ

Nashville, TN

Fort Worth, TX

North Houston, TX

Austin, TX

Houston, TX

Miami, FL
South Florida, FL
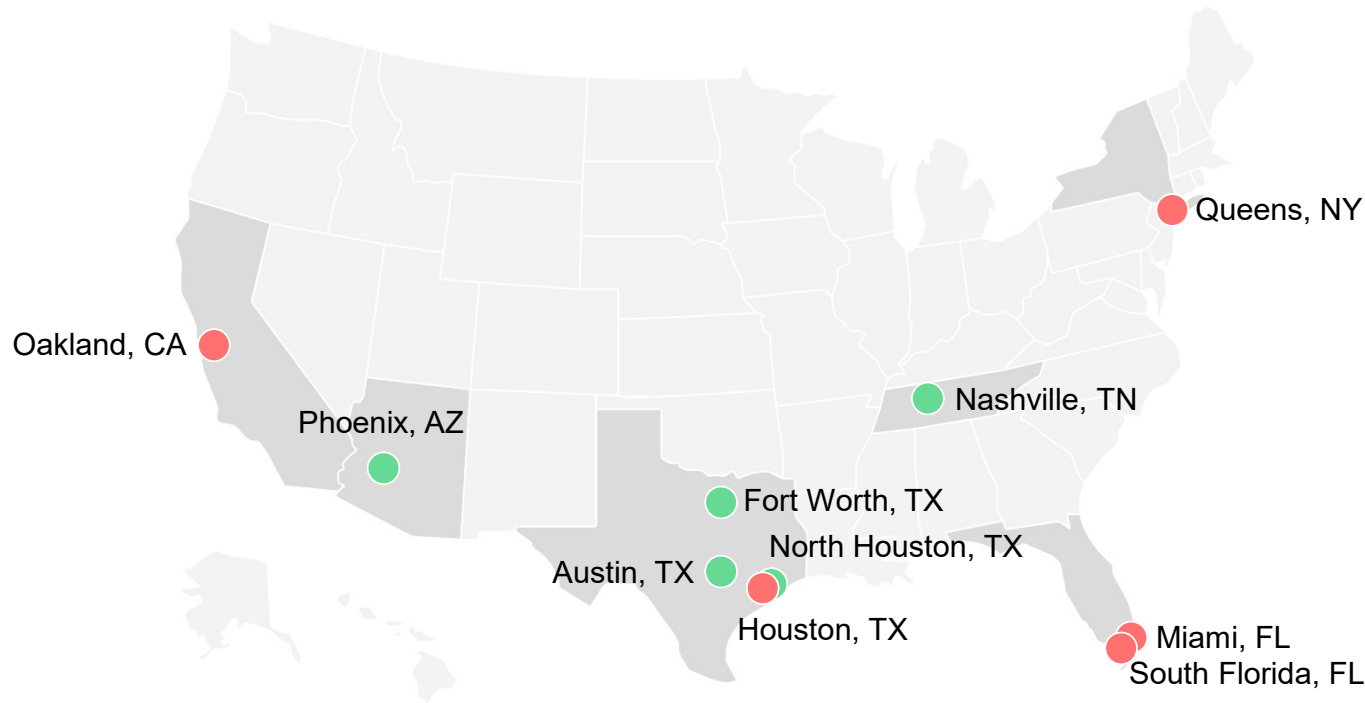
Top 5 inbound (○) markets:

1. North Houston, TX
2. Fort Worth, TX
3. Phoenix, AZ
4. Austin, TX
5. Nashville, TN

Top 5 outbound (○) markets:

1. Miami, FL
2. Houston, TX
3. Queens, NY
4. Oakland, CA
5. South Florida, FL

Source: TransUnion internal analysis

Consumers in the Boomer & Silent generations are increasingly migrating to smaller, more affordable (but catastrophe-prone) markets in the Sun Belt

Top inbound and outbound migration markets – Boomers & Silent (6/2024)

Newark, NJ
Chicago, IL
Queens, NY
Oakland, CA
Greenville, SC
Florence, SC
Gainesville, FL
Daytona Beach, FL
West Palm Beach, FL
Miami, FL
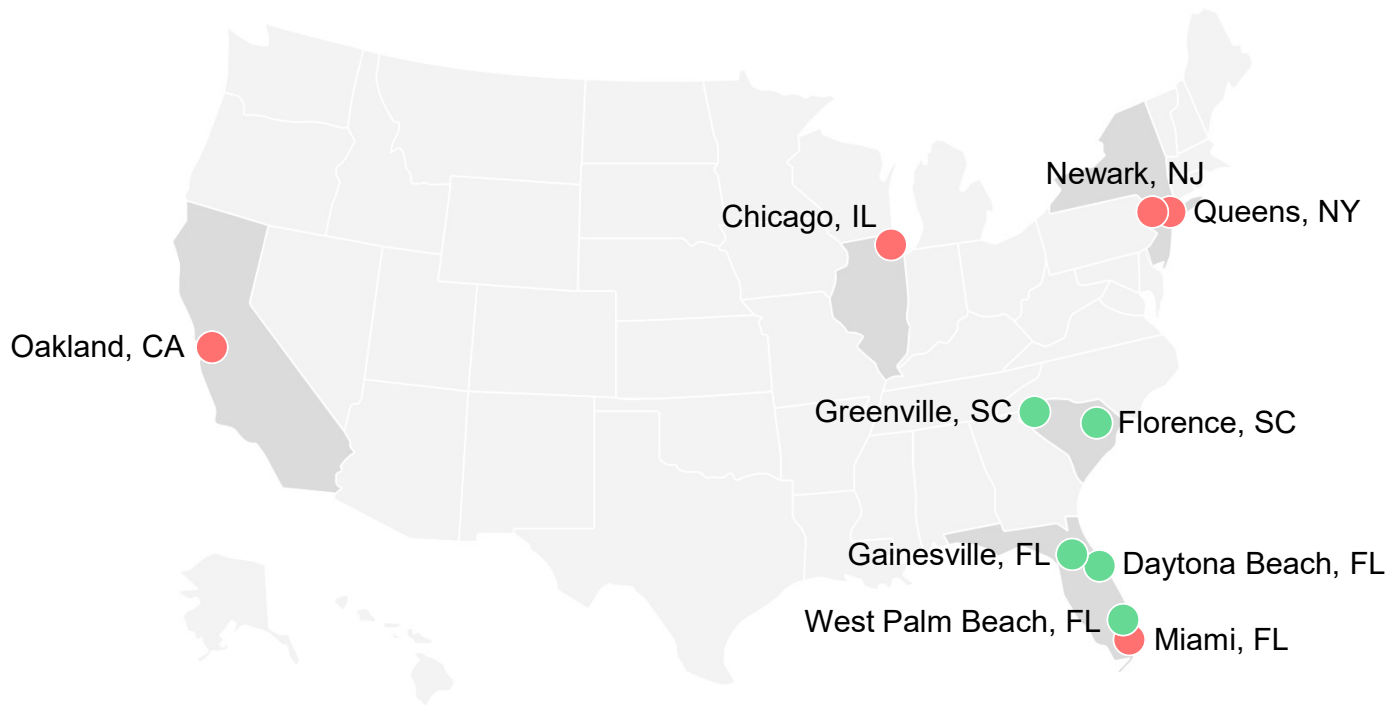
Top 5 inbound (○) markets:

1. Daytona Beach, FL
2. Gainesville, FL
3. Florence, SC
4. Greenville, SC
5. West Palm Beach, FL

Top 5 outbound (○) markets:
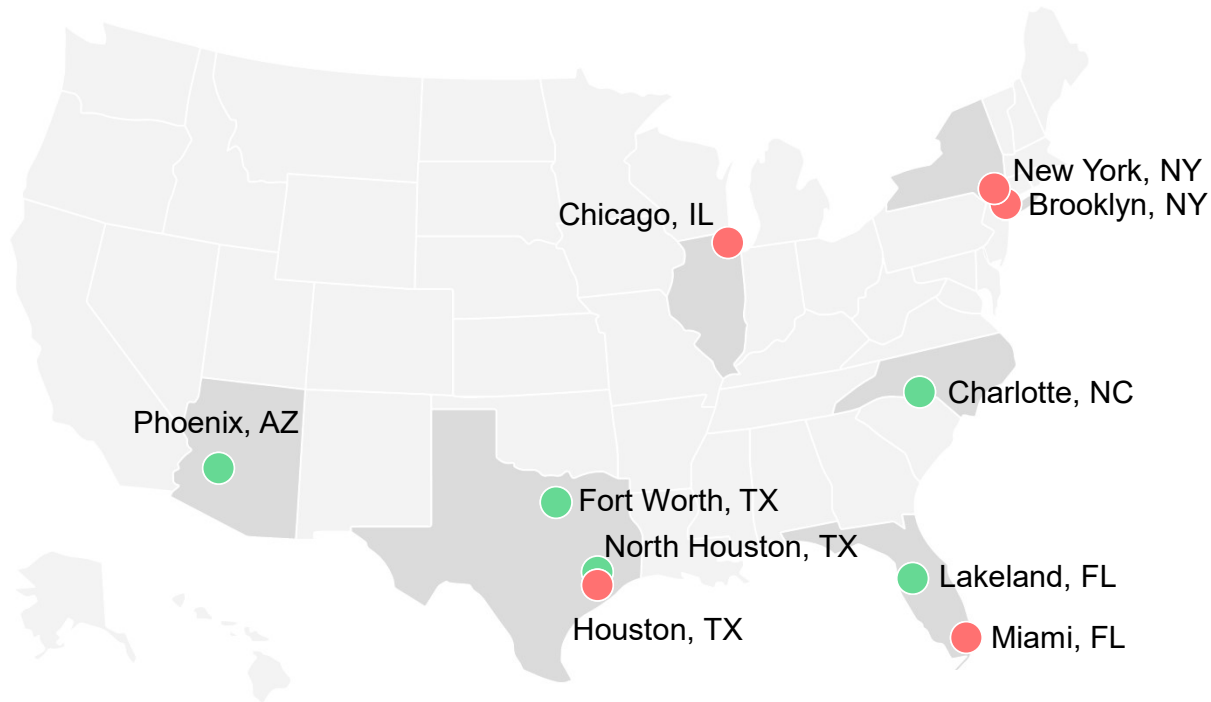
1. Chicago, IL
2. Oakland, CA
3. Newark, NJ
4. Queens, NY
5. Miami, FL

Source: TransUnion internal analysis

Consumers in the Gen X & Millennial generations are leaving large, pricier housing markets in favor of urban/suburban markets of large Sun Belt cities

Top inbound and outbound migration markets – Gen X & Millennials (6/2024)

New York, NY
Brooklyn, NY

Chicago, IL

Charlotte, NC

Phoenix, AZ

Fort Worth, TX

North Houston, TX

Lakeland, FL

Houston, TX

Miami, FL

Top 5 inbound (◯) markets:

1. North Houston, TX
2. Fort Worth, TX
3. Lakeland, FL
4. Charlotte, NC
5. Phoenix, AZ

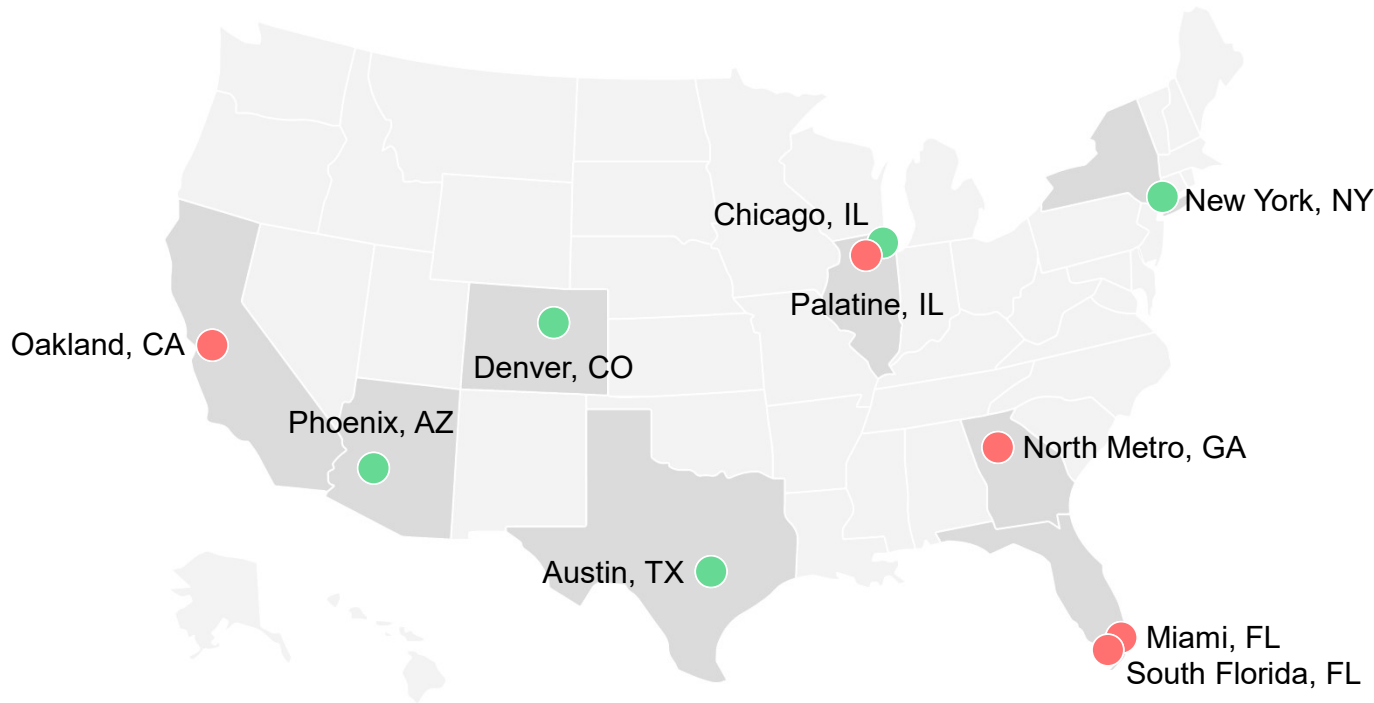**Top 5 outbound (◯) markets:**

1. Miami, FL
2. Houston, TX
3. Chicago, IL
4. New York, NY
5. Brooklyn, NY

Source: TransUnion internal analysis

Consumers in Gen Z are departing suburban cities in favor of job and tech-heavy urban areas shunned by other generations, irrespective of geography

Top inbound and outbound migration markets – Gen Z (6/2024)

Chicago, IL
New York, NY
Palatine, IL
Oakland, CA
Denver, CO
Phoenix, AZ
North Metro, GA
Austin, TX
Miami, FL
South Florida, FL

Top 5 <u>inbound</u> (◯) markets:

1. New York, NY
2. Austin, TX
3. Chicago, IL
4. Denver, CO
5. Phoenix, AZ

Top 5 <u>outbound</u> (◯) markets:

1. Palatine, IL
2. South Florida, FL
3. Miami, FL
4. Oakland, CA
5. North Metro, GA

Source: TransUnion internal analysis

Ironically, Gen Z is exhibiting similar behaviors to Millennials at the same age in 2010

Top inbound and outbound migration markets – Millennials (6/2010)

Provo, UT
San Francisco, CA
Denver, CO
East Los Angeles, CA
Chicago, IL
Palatine, IL
Detroit, MI
New York, NY
Northern VA, VA
Gainesville, FL

Top 5 <u>inbound</u> (○) markets:

1. New York, NY
2. Denver, CO
3. Chicago, IL
4. Northern VA, VA
5. San Francisco, CA

Top 5 <u>outbound</u> (○) markets:

1. Detroit, MI
2. Provo, UT
3. Gainesville, FL
4. East Los Angeles, CA
5. Palatine, IL

Source: TransUnion internal analysis

Let's take a look inside the house to see how household composition is shifting

We sought to obtain greater understanding of how households and generations have evolved
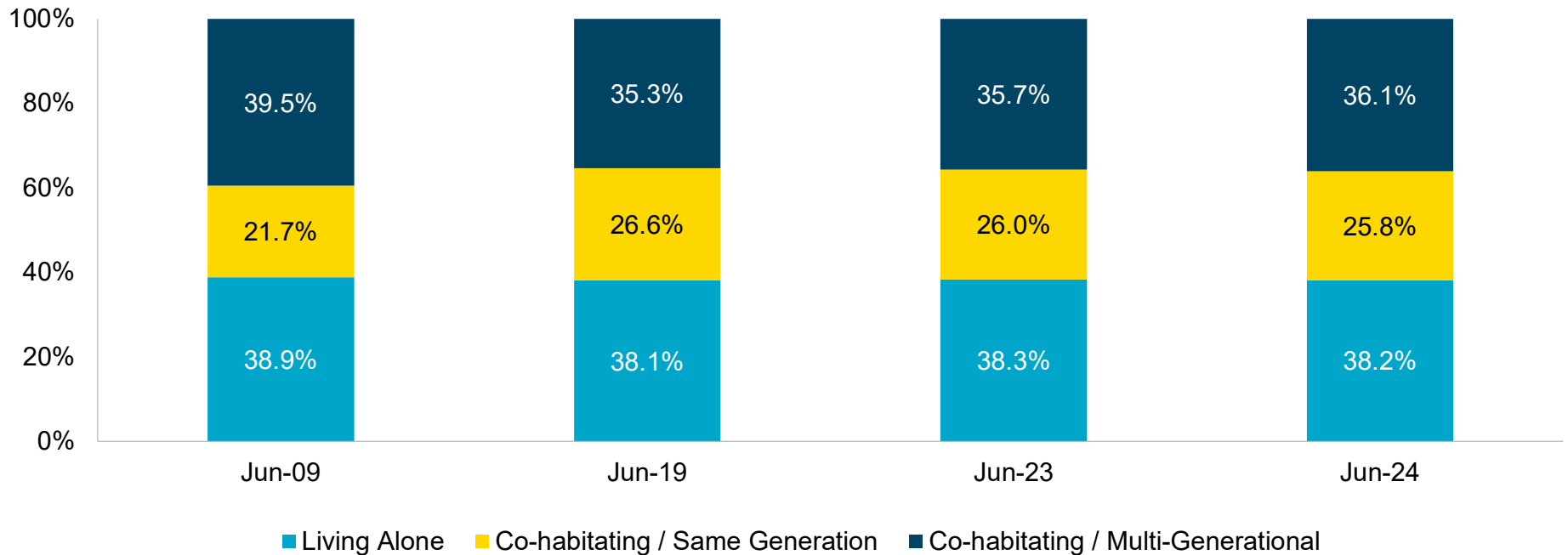
- Leveraged credit database to bundle consumers at a household level as of June 2024

- Analyzed households by number of occupants, birth year (generation), and presence of a mortgage

- Obtained identical prior year (June 2023), pre-COVID (June 2019), and one generation prior (June 2009) data

On the surface, household composition has stayed mostly consistent since 2009

Household Composition
June 2024 vs. Prior Year, 5 Years Prior, 15 Years Prior

	Jun-09	Jun-19	Jun-23	Jun-24
Co-habitating / Multi-Generational	39.5%	35.3%	35.7%	36.1%
Co-habitating / Same Generation	21.7%	26.6%	26.0%	25.8%
Living Alone	38.9%	38.1%	38.3%	38.2%

■ Living Alone   ■ Co-habitating / Same Generation   ■ Co-habitating / Multi-Generational
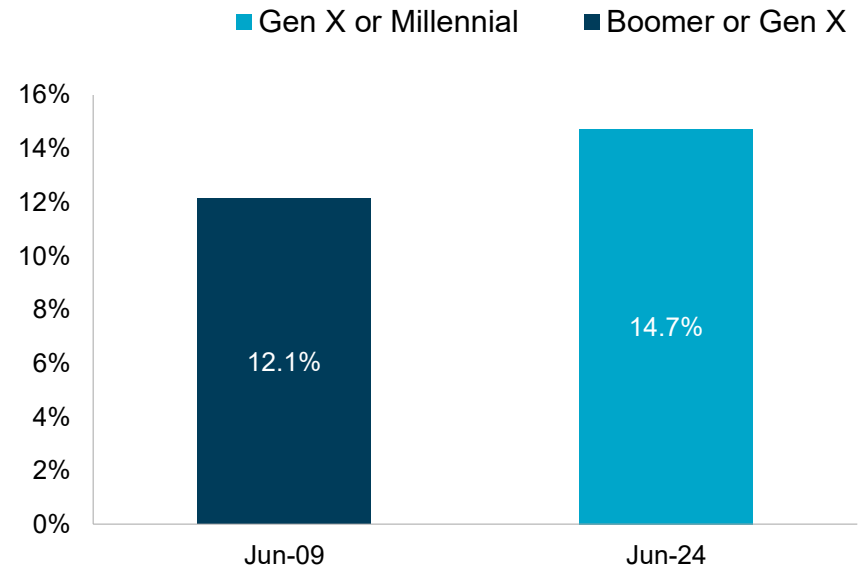
Source: TransUnion internal analysis

The share of households with individuals in their peak earnings years[†] living with older and/or younger relatives has substantially increased since 2009

Peak Earners Living with Older Relatives
June 2024 vs. 15 Years Prior

- Gen X or Millennial
- Boomer or Gen X

	Jun-09	Jun-24
	8.7%	18.0%
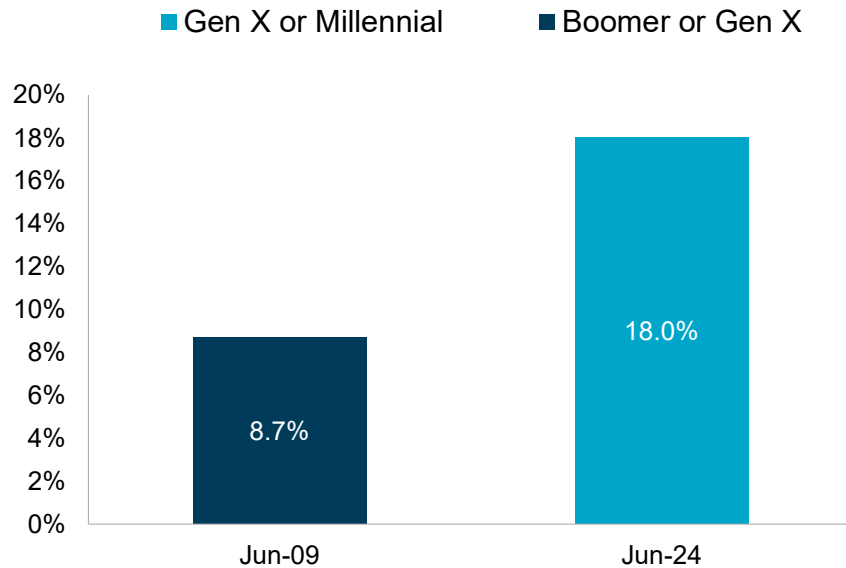
Peak Earners Living with Younger Relatives
June 2024 vs. 15 Years Prior

- Gen X or Millennial
- Boomer or Gen X

	Jun-09	Jun-24
	12.1%	14.7%

†-For the purpose of this analysis, "Peak earnings years" defined as Gen X and Millennial generations.

Source: TransUnion internal analysis

Millennials continue to lag Gen X in homeownership and heading households

41% of Millennials own homes in 2024, versus 52% of Gen X in 2009

53% of Millennials head households in 2024, versus 66% of Gen X in 2009

Source: TransUnion internal analysis 27

Similarly, fewer Gen Z consumers are living alone compared to Millennials

22% of Gen Z in 2024, versus 34% of Millennials in 2009

Source: TransUnion internal analysis

How has this impacted consumer purchasing and insurance shopping behavior

Mortgage origination and refinance volumes have been suppressed much of 2024 largely due to interest rates

Distribution of mortgage origination volume, by purchase and refinance

Legend: Purchase Originations, Refinance Originations, Interest Rates

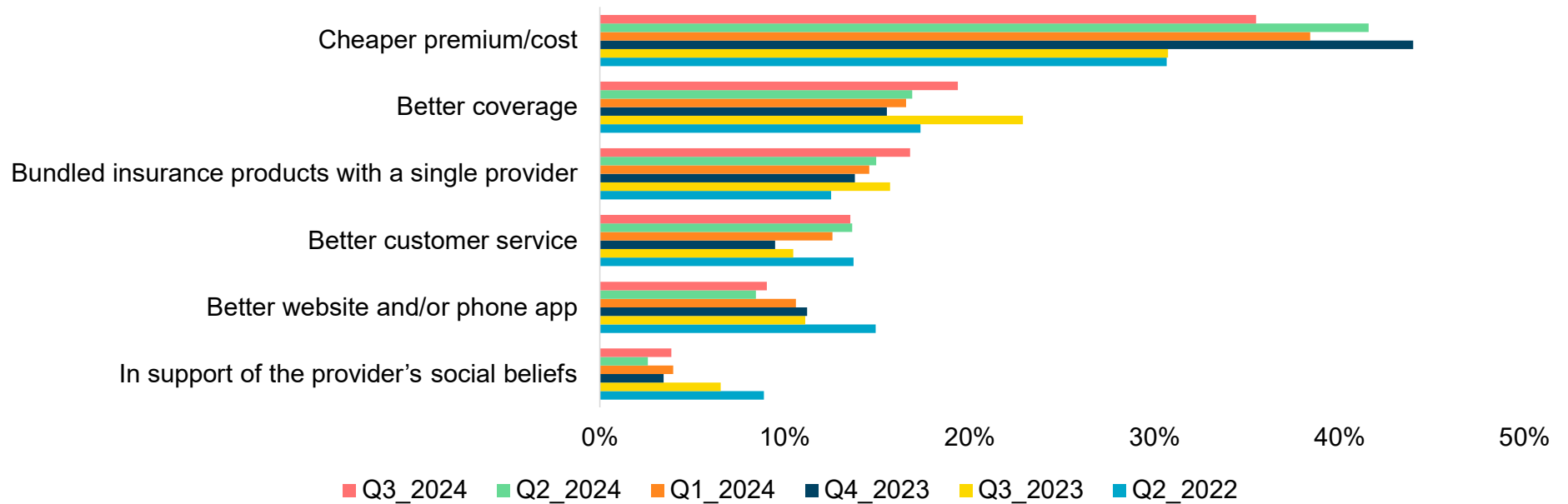Sources: TransUnion US consumer credit database, Freddie Mac
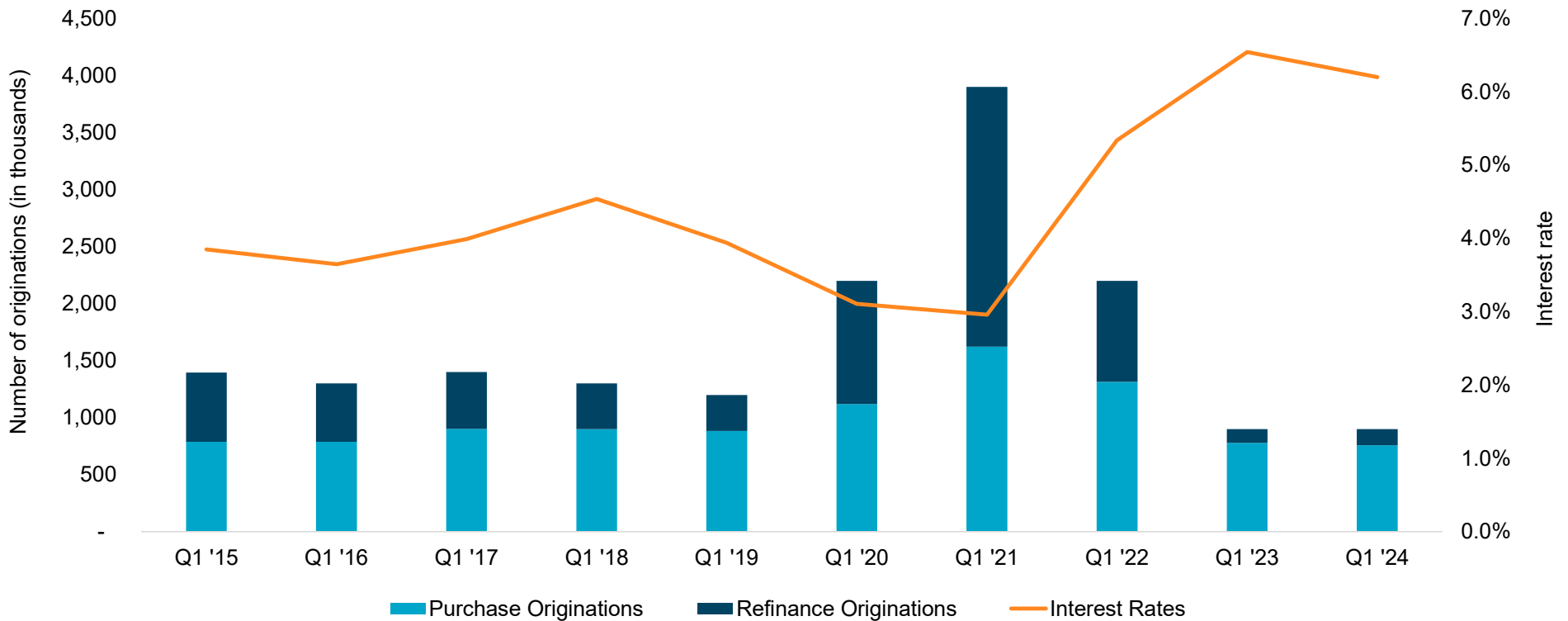
After a flattening trend for much of 2024, homeowners shopping is again on the rise due to ongoing rate and profitability actions

YoY percent change in number of Homeowner insurance shoppers by credit-based insurance scores

Legend: — 300-500 — 501-700 — 701+ - - Overall Homeowners shopping

Source: TransUnion internal analysis
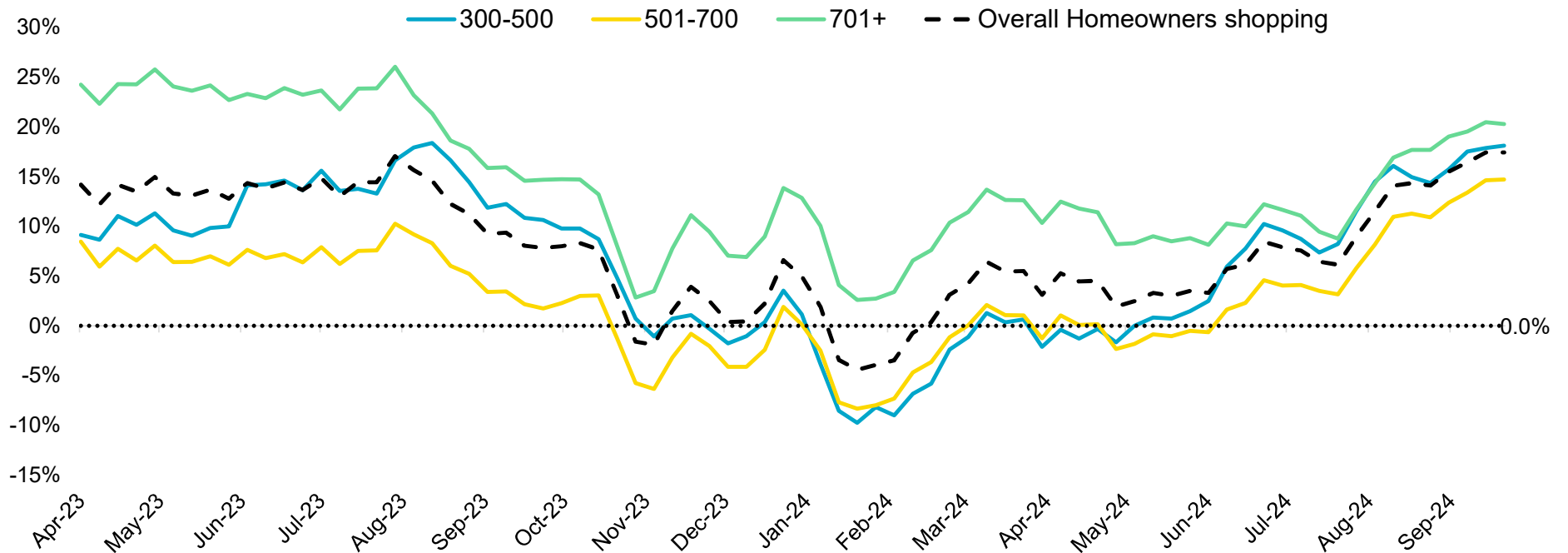
Consumer's reasons for switching insurance providers has fluctuated over the past year, with price usually a key driver but other factors at play

What is the primary reason you switched homeowners/condo insurance providers?

Legend: ■ Q3_2024 ■ Q2_2024 ■ Q1_2024 ■ Q4_2023 ■ Q3_2023 ■ Q2_2022

Categories (top to bottom):
- Cheaper premium/cost
- Better coverage
- Bundled insurance products with a single provider
- Better customer service
- Better website and/or phone app
- In support of the provider's social beliefs

X-axis: 0% to 50%

Source: TransUnion-commissioned survey of U.S. consumers, 2022-2024   32

Key takeaways

- Housing affordability and availability is impacting frequency of consumer migration and household composition

- Exposure in catastrophe-prone geographies continues to grow; favored cities vary widely by generation but align with each generation's life goals

- Evolving household composition could impact consumer coverage needs, risk exposure and price sensitivity

- Delays in homeownership and independent living could challenge the approach of acquiring younger consumers and retaining throughout lifecycle changes